

GRANDUC MINES, LIMITED

(Non-Personal Liability)

**Annual Report
1968**

GRANDUC MINES, LIMITED

(Non-Personal Liability)

DIRECTORS	G. H. DAVENPORT HENRY L. HILL J. NORMAN HYLAND W. H. LOVE L. J. RANDALL
OFFICERS	L. J. RANDALL, President G. H. DAVENPORT, Vice-President P. I. CONLEY, Secretary and Treasurer L. JOHN CREERY, Assistant Secretary
AUDITORS	PEAT, MARWICK, MITCHELL & CO., Vancouver
TRANSFER AGENT	CANADA TRUST COMPANY, Vancouver and Toronto
HEAD OFFICE	2009, 1177 West Hastings Street, Vancouver 1, B.C.

The Annual Meeting of the Shareholders will be held
on May 2, 1969 at 9:00 o'clock in the forenoon
in the Social Suite West, the Hotel Vancouver
900 West Georgia St., Vancouver, B.C.

GRANDUC MINES, LIMITED

(Non-Personal Liability)

**NOTICE OF SIXTEENTH ANNUAL
GENERAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of the shareholders of Granduc Mines, Limited (N.P.L.) will be held in the Social Suite West, of The Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia, on Friday the 2nd day of May, 1969 at the hour of 9:00 o'clock in the forenoon, Vancouver Time, for the purposes of:

1. receiving and considering the report of the Directors, the financial statements and the Auditors' Report for the year ended December 31, 1968;
2. electing Directors for the ensuing year;
3. appointing Auditors for the ensuing year and authorizing the Directors to fix the remuneration to be paid to the Auditors;
4. conferring a general authority to take or acquire by purchase or otherwise any shares in any other corporation (which authority shall expire at the next general meeting of the shareholders of the Company unless it is continued by ordinary resolution passed thereat); and
5. transacting such other business as may properly be brought before the meeting.

DATED at Vancouver, British Columbia this 3rd day of April, 1969.

By Order of the Board

P. I. CONLEY
Secretary

If you are unable to be present in person at the meeting would you please sign and return the enclosed proxy which must be addressed to and deposited with Granduc Mines, Limited (N.P.L.), c/o The Canada Trust Company, 901 West Pender Street, Vancouver, British Columbia, at any time up to and including the day preceding the meeting or thereafter at the place of the meeting at any time up to the taking of a poll at the meeting.

Please advise the Company of any change in your address.

GRANDUC MINES, LIMITED

(Non-Personal Liability)

2009 - 1177 West Hastings Street,
Vancouver 1, B.C., Canada

INFORMATION CIRCULAR

MANAGEMENT SOLICITATION

This Information Circular is furnished in connection with the solicitation of proxies by the management of GRANDUC MINES, LIMITED (Non-Personal Liability) (the "Company") for use at the Annual General Meeting of the Shareholders of the Company to be held on Friday, May 2, 1969 at 9:00 o'clock in the forenoon, Vancouver Time, in the Social Suite West, the Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia, for the purposes set out in the accompanying notice of the meeting. The cost of solicitation will be borne by the Company.

The proxies delivered pursuant to this solicitation are revocable under the British Columbia Companies Act at the option of the persons executing the same. Such revocation shall not be effective until the written instrument of revocation, executed in the same manner as the proxy, shall have been deposited at the registered office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting or adjournment thereof.

VOTING OF PROXIES

The form of proxy accompanying this Information Circular confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the notice of the meeting or other matters which may properly come before the meeting. The shares represented by the proxy will be voted in accordance with the choice specified as to resolutions (a) to receive the consolidated financial statements of the Company for the financial year ended December 31, 1968, and the Auditors' Report thereon, (b) to elect Directors, (c) to authorize the Directors to fix the remuneration to be paid to the Auditors and (d) conferring a general authority to take or acquire by purchase or otherwise any shares in any other corporation. **If a choice is not so specified with respect to any such resolution, the shares represented by the proxy will be voted in favour of such resolution.**

A shareholder has the right to appoint a person (who need not be a shareholder) to attend and act for him and on his behalf at the meeting other than the persons designated in the form of proxy accompanying this Information Circular. To exercise this right, the shareholder may insert the name in full of his desired proxy in the blank space provided in the accompanying form of proxy and may strike out the names now designated.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The shares in the capital of the Company carrying the right to vote at a meeting consist of 8,000,000 common shares with a nominal or par value of \$1 each, of which there are 3,363,022 common shares issued and outstanding as fully paid and non-assessable.

The register of shareholders of the Company will be closed from April 19th to May 2nd, inclusive, 1969 and holders of outstanding common shares whose names are contained in the register of shareholders at the close of business on April 18th, 1969 will be entitled to one vote per share at the meeting.

To the knowledge of the Directors and senior officers of the Company, Hecla Mining Company beneficially owns shares carrying more than 10% of the voting rights attached to all outstanding common shares of the Company. As at March 31st, 1969, Hecla Mining Company beneficially owned directly or indirectly approximately 1,189,700 common shares, being approximately 36.57% of the outstanding common shares of the Company.

ELECTION OF DIRECTORS

Each of the persons whose names appear hereunder is proposed to be elected as a Director of the Company to serve until the next Annual General Meeting of the Company or until his successor is elected or appointed. **It is intended that the shares represented by proxies solicited by management will be voted in favour of the election of such persons or for a substitute for any of said persons who for some reason not now known may not be a candidate for election, as Directors of the Company.** The following information concerning the respective nominees has been furnished by them:

Nominees for Director and Principal Occupation	Year first became a Director	Common shares of the Company beneficially owned, directly or indirectly, as of March 31, 1969
George Hamilton Davenport President of Bralorne-Pioneer Mines Limited for a period in excess of the 5 preceding years	1964	100
Henry L. Hill Managing Director of Pyramid Mining Co. Ltd. (N.P.L.) since 1965, a Consulting Mining Engineer in the firm of Hill, Manning & Associates for the preceding year and in the firm of Henry L. Hill & Associates for a period in excess of the preceding 2 years	1966	100
James Norman Hyland Retired, formerly Chairman and Chief Executive Officer of British Columbia Packers Limited from July 30, 1964 and for a period in excess of the preceding 2 years Vice-President of that Company	1966	13,000
William Henry Love President of Hecla Mining Company since April 28, 1966 and Vice-President of that Company for a period in excess of the preceding 3 years	1964	100 (a)

Nominees for Director and Principal Occupation	Year first became a Director	Common shares of the Company beneficially owned, directly or indirectly, as of March 31, 1969
Lester James Randall Chairman of the Board of Hecla Mining Company since April 28, 1966 and President of that Company for a period in excess of the preceding 3 years	1964	2,100 (a)

(a) Hecla Mining Company, of which company Messrs. Love and Randall are officers and directors, owned beneficially 1,189,700 common shares, or 36.57% of common stock of the Company as of March 31, 1969 and 100% of the Company's preferred stock.

REMUNERATION OF MANAGEMENT AND OTHERS

During the financial year ended December 31, 1968, the aggregate direct remuneration paid or payable by the Company to the Directors and senior officers of the Company was \$6327.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Since January 1, 1968, the commencement of the Company's last completed financial year, no Director or senior officer or proposed nominee for election as Director, nor any person or company who, to the knowledge of the Directors or senior officers of the Company, beneficially owned, directly or indirectly, equity shares carrying more than 10% of the voting rights attached to all equity shares of the Company or any associate or affiliate of such persons or companies had any material interest, direct or indirect, in any transaction with the Company or any of its subsidiaries.

APPOINTMENT OF AUDITORS

The management proposes to nominate Messrs. Peat Marwick Mitchell & Co., as Auditors of the Company to hold office until the next Annual General Meeting of the Company. It is intended that the shares represented by proxies solicited by the management **will be voted in favour of the appointment of Messrs. Peat Marwick Mitchell & Co. as Auditors of the Company.**

OTHER MATTERS

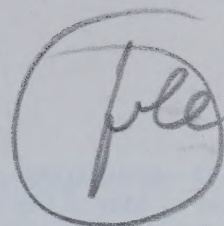
The Annual Report of the Company, including financial statements, for the year ended December 31, 1968 is enclosed. Additional copies will be mailed to all new shareholders of record up to the close of business on April 18th, 1969. The Annual Report is not to be treated, however, as a part of the proxy solicitation material.

The management knows of no matters to come before the meeting other than the matters referred to in the notice of the meeting. However, if any other matters which are not known to the management properly come before the meeting, the form of proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.

DATED April 3, 1969.

By Order of the Board of Directors

PHILIP I. CONLEY
Secretary

GRANDUC MINES, LIMITED (N.P.L.)621 - 744 WEST HASTINGS STREET
VANCOUVER 1, B.C.**Letter to Shareholders**

On August 5, 1964, the shareholders of Granduc Mines, Limited (N.P.L.) approved agreements for the provision of \$10,000,000 (Canadian) through the sale of common and redeemable preferred shares and \$40,000,000 (U.S.) through borrowing and advance payments on concentrates, for a total of about \$53,000,000 (Canadian), to which it was anticipated there would be contributed by way of loans and grants from governments about \$5,000,000 more. These requirements were based on the ore reserves of 32,500,000 tons averaging 1.93% copper and the estimate of the 1963 feasibility report of the cost of mine development, plant and equipment for a rate of 7,000 tons of ore per day, with commencement of production in 3½ years.

Immediately after the approval, staff and crews were gradually assembled, and the work of establishing camps, plants and equipment at the Leduc and Tide Lake portals of the 11.6 mile access tunnel was begun. For various reasons, but mainly because of some shortage of labour and of a winter of unusual severity and heavy snowfall, progress was well behind expectations and came to a stop in February, 1965, when an avalanche swept away most of the Leduc camp and plant with tragic loss of lives. The Leduc end of the tunnel had then been advanced 814 feet. Rescue operations and the studies by the avalanche experts necessitated a delay during which the overall scheme of the development and equipment of the property was reviewed. Simultaneously, the detail engineering study by Parsons-Jurden Corporation was in progress, and it was becoming clear that a number of assumptions underlying the feasibility report were no longer valid. Wage scales, particularly of construction workers, and costs of some materials and equipment had risen beyond those estimated. Transportation costs from Stewart to the Leduc and Tide Lake camps were high because prolonged bad weather and heavy snowfall forced greater use than forecast of tractor haulage over the glaciers instead of more economical heavy aircraft. There were also the financial losses due to the avalanche, partly through injuries and deaths of personnel and damages to property incompletely covered by insurance, but much greater in the dislocation and delay in the project. The added costs in these categories are estimated at approximately \$2,500,000 up to June. However, more serious was the mounting evidence that the fast-rising costs of labour and materials, etc., had rendered out-of-date the cost estimates of the feasibility report and also the realization that in the light of greater knowledge and experience some of the installations would require revision, redesign or relocation in the interests of efficiency and economy. It was obvious a fresh reexamination of the data was required, and it has been underway since June, when the Parsons-Jurden cost estimates were received. It is far from complete, but the order of magnitude of the increased cost of the project can now be estimated at about \$30,000,000. That is, the cost of the development and equipment program which began in July, 1964 to completion perhaps may be on the order of \$85,000,000, including working capital, compared to the \$55,000,000 of the 1963 feasibility report. It should be emphasized that this new figure is not firm, and considerable further engineering will be required to establish a refined and reliable estimate.

Until the measure of the increase and its impact on the financing program could be gauged, it was necessary to reduce the scale of current development operations to conserve funds as much as possible. Because of the higher cost and of the extra hazard of the avalanche at the Leduc end of the tunnel, that operation was closed down temporarily, but construction of the Tide Lake installations for driving the tunnel was continued and is now mostly complete. From that portal, the tunnel is presently being driven at an average of about 60 feet per day, and at this date has advanced 4675 feet. The Stewart-Tide Lake tote road was broken through on August twenty-fourth, about two months ahead of schedule, and all freight is now being moved to Tide Lake by truck at much less cost than before, when tractor trains over glaciers and aircraft were used. The work of improving the road will continue as late in the year as practicable and economical.

The enforced difficulties and delays this past year will move the start-of-production date into 1969. The delay in starting production is another reason for the increased cost.

Discussions with the Federal and British Columbia Governments on assistance for the road continue. The latter has made a commitment contingent on an equal contribution by the Federal Government, which so far has declined to state its position.

A favourable factor has been the rise in the price of copper since the first financing. Over the life of the present reserves, it appears reasonable now to expect a higher price than that which was used in 1963 estimates, and this could make a substantial contribution toward the return of the increased capital investment. It is the actual spread between price and cost that counts, however, and that is impossible to forecast with any degree of accuracy over the term of the contemplated operation.

The \$10,000,000 provided through the sale of common and preferred shares was expended on the project by May of this year. The work since then has been financed by advances from Newmont Mining Corporation and Hecla Mining Company, which, at September 30, aggregated \$5,600,000. No draw-down has been made nor under the circumstances could have been made from the loan arranged last year with Bankers Trust Company and the Canadian Imperial Bank of Commerce. The loan agreement has been retained to date, however, with a greatly reduced commitment fee.

Possible methods of new equity and debt financing and combinations of them have been under intensive investigation and study the past three months, and the various negotiations prior to the 1964 financing were a useful background to these efforts and deliberations. To borrow the additional amount needed would mean the issue of debentures subordinated to all the senior debt obligations, bearing higher interest rates and probably requiring bonuses of common shares or attractive conversion privileges. The result would be heavy interest charges and a long payout of debt before any or any substantial amount of funds would become available to the common shares, which would most likely be increased in number with consequent dilution.

Straight equity financing in such large amount by sale of common shares, if obtainable at all, would cause excessive share dilution. The price obtainable per share would be low in view of the long period before the bulk of the senior debts were paid off with interest and before substantial amounts of earnings became available for dividends. Various combinations of equity and debt evolved no advantage to the common shareholder. No such method provided any protection against the risk of still higher capital requirements.

What has been worked out and is now submitted for approval is, briefly, a lease of substantially all the Company's properties to American Smelting and Refining Company and a subsidiary of Newmont Mining Corporation, who are to provide all the funds required henceforth to bring the mine into production and pay the Company a royalty of 22½% of the defined net proceeds (before income taxes) from the presently calculated tonnage of ore reserves and 25% afterwards from new reserves developed.

The lease has been executed and is effective as of October 1, 1965, but subject to your approval. The Company leases substantially all of its real property, buildings, machinery, tools and equipment (not including warehouse supplies) and assigns all its other rights and assets (including warehouse supplies) other than cash. The excess of the cost of the assigned warehouse supplies plus the assigned accounts receivable over the assigned accounts payable, and also any cash in excess of \$50,000, shall be applied or paid to reduce the abovementioned Newmont and Hecla advances. The lessees are to pay all property taxes or assessments to maintain the real property in good standing and are assuming the Company's obligations other than the repayment of the Newmont and Hecla advances and with respect to its preferred stock. Included in the rights and obligations assigned to the lessees are all those arising under the Concentrate Agreement dated June 29, 1964 between the Company and American Smelting and Refining Company and the related Advance Payment Agreement of the same date.

The lessees are to provide all the funds required from October 1, 1965 to complete the development of the mine and equip it for production at a rate of approximately 7,000 tons of ore per day (2,500,000 tons per year) and are to proceed with the project continuously and with reasonable diligence.

Interest on the advances and dividends on the preferred stock are being waived until production begins, and the Company is to apply at least 80% of its dividends, as received, to repay and redeem the advances and preferred stock and the interest and dividends accruing or cumulating thereon after the date of beginning of production operations.

The term is for fifty years and, unless sooner terminated in accordance with the provisions of the lease, the term may be extended twenty-five years at the lessees' option. The royalty will be 22½% of the net proceeds (as defined) until the lessees shall have milled 32,500,000 tons of ore (the presently developed ore reserve tonnage which is expected to be mined within about 12-13 years after start of production) and thereafter 25% of the net proceeds from further developed reserves. "Net proceeds" shall be determined by deducting operating expenses from the total net smelter returns received from the sale of all the ores and/or concentrates from the property. Operating expenses will mean all costs and expenses in connection with the leased property, including capital expenditures incurred after production operations begin. No charge for repayment of any loan obligations of the lessees, or interest thereon, will be deducted from the total net smelter returns or otherwise be charged against the royalty payable to the Company.

Newmont will be surrendering all its 2,746,978 shares of Granduc common stock to the Company for cancellation, thus reducing the number of outstanding shares to 3,253,022. The management agreement dated June 29, 1964 between the Company and Newmont will be cancelled as of October 1, 1965, ending the Company's obligation to pay any management fee. Newmont is to be the operator of the lease

for the joint account of the lessees but no management fee as such is to be charged against the royalty payable to the Company.

The Company's bank loan agreement dated June 29, 1964 with Bankers Trust Company is to be cancelled also as promptly as possible after your approval of the lease.

This lease is the result of lengthy and careful deliberations and negotiations by all the parties involved. To the shareholders remaining in Granduc it presents certain advantages. It relieves them of the serious problem and burden of providing funds required henceforth to bring the mine to production, even if present estimates of capital expenditures are exceeded. The royalty rates are deemed fair and give assurance of a return to the shareholder better than could be obtained through usual contemporary methods of debt and equity financing. During the period when the present ore reserves are being treated, the royalty should yield to the shareholders not much less than was estimated just prior to the first financing in spite of the substantial increase of the capital expenditures. For the subsequent period, the higher royalty was agreed principally because the lessees' investment by then should have been returned with interest.

The Sulphurets Group and twenty-seven mineral claims and leases along the Stewart-Tide Lake road are included in the lease, but on a gross royalty basis. The Max Group on the Unuk River is not included.

The Granduc staff and crew, all of whom are commended for their work done in this most difficult year, are being taken over by the operating lessee and the project is continuing without interruption. Upon approval of the lease agreement, the directors and officers of the Company who are affiliated with Newmont will tender their resignations in order that the Company may reorganize its own corporate management as it may determine.

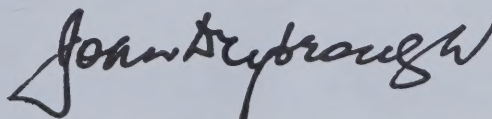
Copies of the lease agreement may be inspected at the offices of the Company at 744 West Hastings Street, Vancouver, British Columbia, during usual business hours on any business day prior to the Special Meeting of the Shareholders to be held in the Ballroom, Hotel Georgia, 801 West Georgia Street, Vancouver, British Columbia, on October 29, 1965 at the hour of ten o'clock in the forenoon local time.

Implementation of the lease necessitates amendment of the conditions attached to the preferred shares and a proposed special resolution in this regard accompanies this letter.

The Directors unanimously recommend to the shareholders the approval of the lease.

If the lease is approved and Newmont retires from the Company the largest shareholder will be Hecla Mining Company, which now has its President, Mr. L. J. Randall, and its Vice-President, Mr. W. H. Love, on the Granduc Board of Directors. It has a successful record in mining, mainly in the Coeur d'Alene District, Idaho, since its inception in 1898 and can be expected to provide able leadership in Granduc. Its representatives have declared they would favour a policy of disbursing a substantial proportion of the royalty income in dividends to the shareholders.

On behalf of the Directors,

A handwritten signature in dark ink, reading "John Drybrough". The signature is fluid and cursive, with a large, stylized initial "J".

Vancouver, B.C.
October 12, 1965.

John Drybrough, President

GRANDUC MINES, LIMITED (N.P.L.)

621 - 744 WEST HASTINGS STREET
VANCOUVER 1, B.C.

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of GRANDUC MINES, LIMITED (Non-Personal Liability) will be held in the Ballroom of the Hotel Georgia, 801 West Georgia Street, in the City of Vancouver, in the Province of British Columbia, on Friday, the 29th day of October, 1965, at the hour of 10:00 o'clock in the morning, local time, to consider, and if thought fit:

- (a) To ratify and approve a lease made as of the First day of October, 1965, between this Company, as Lessor, American Smelting and Refining Company and Granduc Operating Company, as Lessees, and Newmont Mining Corporation;
- (b) To authorize by special resolution amendment of the special rights and restrictions attached to the One Million and Fifty Thousand (1,050,000) 5½% Cumulative Redeemable Preferred Shares with a nominal or par value of Five Dollars (\$5.00) each;
- (c) To alter the capital of the Company by cancelling the 2,746,978 fully paid common shares with a nominal or par value of One Dollar (\$1.00) each, being common shares to be surrendered by way of gift by Newmont Mining Corporation pursuant to the above-mentioned lease, but without diminution of the authorized capital of the Company; and
- (d) To transact such other business as may properly be brought before such meeting.

The transfer books of the Company will not be closed, but the Board of Directors has fixed the close of business on Thursday, the 14th day of October, 1965, as the record date for the determination of shareholders entitled to notice of and to attend and vote at the said Extraordinary General Meeting of Shareholders and any adjournment thereof.

If you are unable to attend the meeting, you are requested to fill in, sign and return to the Secretary at the registered office of the Company, 621 - 744 West Hastings Street, Vancouver 1, British Columbia, the enclosed form of proxy.

The above-mentioned lease may be inspected at the registered office of the Company during usual business hours on any business day prior to the meeting.

DATED this 14th day of October, 1965.

By Order of the Board,
A. B. B. CARROTHERS,
Secretary.

GRANDUC MINES, LIMITED (N.P.L.)

PROXY

I, _____ of _____
DO HEREBY APPOINT John Drybrough, or failing him, Donald M. Cannon, or failing him, A. Brian B. Carrothers, or failing him _____ as my proxy to vote for me and on my behalf at the Extraordinary General Meeting of the Company to be held on Friday, the 29th day of October, 1965, and at any adjournment thereof.

SIGNED this _____ day of October, 1965.

NOTE: Your vote by proxy will be exercised by the person whose name appears first in the above proxy and who is in attendance at the said Extraordinary General Meeting and, if given to one or more of the directors named above, it will be voted in favour of the lease referred to in the notice of this meeting. Kindly strike out the name or names of those whom you do not wish to appoint as your proxy. If you do not wish to appoint any of the above-named shareholders, kindly strike out the above names and insert in the space provided the name of the shareholder you wish to appoint as your proxy.

GRANDUC MINES, LIMITED (N.P.L.)

621 - 744 WEST HASTINGS STREET
VANCOUVER 1. B.C.

Special Resolution to be proposed at Extraordinary General Meeting of Shareholders to be held in the Ballroom, Hotel Georgia, 801 West Georgia Street, Vancouver, British Columbia, on Friday, the 29th day of October, 1965, at 10:00 o'clock in the forenoon, local time.

BE IT RESOLVED as a special resolution that the special rights and restrictions attached to all of the One Million and Fifty Thousand (1,050,000) 5½% cumulative redeemable preferred shares with a nominal or par value of Five Dollars (\$5.00) each, all of which are issued, be varied by:

- (a) Striking out the words "provided that payment of such dividends shall be deferred and shall not commence until September 15th, 1968, and, with each regular semi-annual dividend paid commencing on that date, there shall be paid in addition one of the semi-annual dividends then in arrears (cumulated to and including March 15th, 1968, but not paid) until all the dividends in arrears shall have been paid" where the same appear at the end of the first sentence in paragraph 1 thereof.
- (b) Striking out the words "Subject as hereinbefore provided with respect to dividends cumulating and accruing on the preferred shares prior to September 15th, 1968," where the same appear at the commencement of the third sentence in paragraph 1 thereof.
- (c) Striking out the figure "(i)" and the words "and (ii) no redemption fund payment required to be made under the provisions of paragraph 5 hereof remains due or unpaid" where the same appear in the sixth sentence in paragraph 1 thereof, and by adding the words "or waived" at the end of the said amended sixth sentence.
- (d) Striking out the words "Subject to the provisions of paragraph 6 hereof" and "on or after March 15th 1971, and after this company shall have reduced its outstanding indebtedness to Bankers Company, of 280 Park Avenue, New York 17, New York (its successors or assigns) pursuant to the Loan Agreement of June 29th, 1964, to less than Ten Million (\$10,000,000.00) Dollars, United States funds" where the same appear in the first sentence in paragraph 3 thereof.
- (e) Striking out the words "Subject to paragraph 6 hereof" and "on or after March 15th, 1971" where the same appear in the first sentence of paragraph 4 thereof.
- (f) Striking out the whole of paragraph 5 thereof and by renumbering the subsequent paragraphs consecutively as paragraphs 5 to 11.
- (g) Striking out the figure "10" and substituting the figure "9", striking out the figure "11" and substituting the figure "10" and striking out the figure "12" and substituting the figure "11" where each such figure appears in paragraph 10 thereof as renumbered.

AND BE IT FURTHER RESOLVED that clause 5 of the Memorandum of Association of the Company be amended accordingly to read:

"5. The authorized capital of the Company is Thirteen Million Two Hundred and Fifty Thousand (\$13,250,000.00) Dollars divided into One Million and Fifty Thousand (1,050,000) 5½% cumulative redeemable preferred shares with a nominal or par value of Five (\$5.00) Dollars each and Eight Million (8,000,000) common shares with a nominal or par value of One (\$1.00) Dollar each.

The description of the respective voting rights, restrictions, preferences, rights to dividends, profits or capital (including redemption rights and rights on liquidation or distribution of capital assets) of and attaching to the 5½% cumulative redeemable preferred shares (hereinafter referred to as the "preferred shares") and the common shares are as follows:

1. The holders of the preferred shares shall be entitled to receive and the company shall pay thereon, as and when declared by the board of directors out of the moneys of the company properly available for and applicable to the payment of dividends, fixed cumulative preferential cash dividends at the rate of five and one-half (5½) per cent per annum and no more on the amounts paid up thereon but not exceeding the par value thereof from the respective dates of issue thereof, payable semi-annually on the 15th days of March and September in each year. Cheques of the company payable at par at any branch of the company's banker for the time being shall be issued in respect of such dividends and payment thereof shall satisfy such dividends. If, on any dividend payment date the dividend payable on such date is not paid in full on all of the preferred shares then issued and out-

standing, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors of the company on which date or dates the company shall have sufficient moneys properly available for and applicable to the payment of the same. The holders of the preferred shares shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided for. No cash dividends shall be declared or declared and paid or set apart for payment on the common shares or any other shares, if any, of the company ranking after the preferred shares unless in each instance all dividends then payable on the preferred shares as hereinbefore provided have been or at the same time are declared and paid or waived. Subject to the foregoing, dividends may be declared and paid on the common shares at any time out of moneys of the company properly available for and applicable to the payment of the same.

2. In the event of the liquidation, dissolution, winding-up of the company (whether voluntary or involuntary), reduction of capital or other distribution of assets of the company among its shareholders for the purpose of winding-up its affairs, the holders of the preferred shares shall be entitled to receive an amount equal to the par value thereof (less any amount not then paid up on such shares) together with an amount equal to all accrued and unpaid preferential dividends thereon (which for such purpose shall be calculated as if such dividends were accruing from day to day up to but not including the date of distribution) in priority to and before any amount shall be paid or any property or assets of the company distributed to the holders of the common shares or any other shares, if any, of the company ranking after the preferred shares. After payment to the holders of the preferred shares of the amount so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the company.
3. The company may without notice at any time purchase in the open market (if obtainable) for cancellation the whole or any part of the preferred shares outstanding from time to time (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) at the lowest price or prices at which in the opinion of the board of directors of the company such shares are obtainable but not exceeding an amount equal to the par value thereof (less any amount not then paid up on such shares) plus accrued and unpaid dividends calculated to date of purchase for cancellation plus reasonable cost of purchase. From and after the date of purchase of any preferred shares under the provisions of this paragraph, the shares so purchased shall be deemed to be redeemed and shall be cancelled and shall not be re-issued.
4. The company may, at its option, upon giving notice as hereinafter provided, redeem at any time or times, in whole or in part the then outstanding preferred shares on payment for each such share to be redeemed an amount in cash equal to the par value thereof (less any amount not then paid up on such shares) together with all accrued unpaid preferential dividends (which for such purpose shall be calculated as if such dividends were accruing from day to day up to but not including the date of such redemption). In case a part only of the then outstanding preferred shares is at any time to be redeemed, the shares so to be redeemed shall be selected by lot or pro rata in such manner as the directors of the company may determine. In any case of redemption of preferred shares, the company shall at least thirty (30) days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of preferred shares to be redeemed a notice in writing of the intention of the company to redeem such preferred shares. Such notice shall be mailed in a prepaid letter addressed to each such shareholder at his address as it appears on the books of the company or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption. Such notice shall set out the redemption price and the date on which redemption is to take place, and, if part only of the shares held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeemed. On or after the date so specified for redemption, the company shall pay or cause to be paid to or to the order of the registered holders of the preferred shares to be redeemed the redemption price on presentation and surrender at the head office of the company, or any other place designated in such notice, of the certificates for the preferred shares called for redemption. Such preferred shares shall thereupon be and be deemed to be redeemed and shall be cancelled. If a part only of the shares represented by any certificate be redeemed, a new certificate for the balance shall be issued at the expense of the Company. From and after the date specified in any such notice, the preferred shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. Should the holders of any preferred shares so called for redemption fail to present the certificate representing such shares on the date specified for redemption, the company shall have the right to deposit the redemption price of such shares to a special account in any chartered bank or trust company in Canada named in such notice to be paid without interest to or to the order of the respective holders of

such preferred shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and, upon such deposit being made, the preferred shares in respect whereof such deposit shall have been made shall be deemed to be redeemed and shall be cancelled and the rights of the holders thereof after such deposit shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively.

5. No cash dividends shall at any time be declared or paid on or set apart for the common shares or any of them or any other shares, if any, of the company junior to the preferred shares nor shall the company call for redemption or purchase preferred shares less than the total amount then outstanding unless all dividends then accrued and payable as hereinbefore provided on the preferred shares then issued and outstanding shall have been or at the same time are declared and paid or provided for at the date of such declaration or payment or setting apart or call for redemption or purchase.
6. The preferred shares shall not be liable to cancellation or reduction by reason of loss or depreciation of the company's assets.
7. The holders of preferred shares shall not be entitled (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the shareholders of the company and shall not be entitled to any vote at any such meeting unless and until the company from time to time shall fail to pay any dividend on the preferred shares on the date on which the same should be paid according to the terms hereof whether or not such dividend has been declared and whether or not there are any moneys of the company properly available for and applicable to the payment of dividends. Thereafter so long as any such dividend remains in arrears the holders of the preferred shares shall be entitled to receive notice of all meetings of shareholders and to attend thereat and to have one vote in respect of each preferred share held and shall vote as one class with the holders of the common shares.
8. The holders of the preferred shares shall not be entitled as of right to subscribe for or purchase or receive any part of any issue of shares or of bonds, debentures or other securities of the company now or hereafter authorized.
9. Subject as hereinafter provided, so long as any of the preferred shares are outstanding, the company shall not without, but may from time to time with, the approval of the holders of the preferred shares as hereinafter specified, create any class of shares ranking as to capital or dividends prior to or on a parity with the preferred shares, nor shall the authorized amount of the preferred shares be increased.
10. The provisions of paragraphs 1 to 9 inclusive hereof, the provisions of this paragraph 10 and the provisions of paragraph 11 hereof may be repealed, abrogated, altered, varied, modified or amended but only with the approval of the holders of the preferred shares given as hereinafter in paragraph 11 provided, in addition to any other approval required by the "Companies Act".
11. The approval of holders of the preferred shares as to any and all matters referred to herein may be given in writing by the holders of three fourths of the outstanding preferred shares or by resolution passed at a meeting of holders of preferred shares duly called and held upon at least fourteen (14) days' notice at which the holders of at least a majority of the outstanding preferred shares are present or represented by proxy and carried by the affirmative vote of the holders of not less than three fourths of the preferred shares represented and voted at such meeting cast on a poll. If at any such meeting the holders of a majority of the outstanding preferred shares are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the chairman and at least seven (7) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of preferred shares present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by the affirmative votes of the holders of not less than three fourths of the preferred shares represented and voted at such adjourned meeting cast on a poll shall constitute the approval of the holders of preferred shares referred to above. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the Articles of Association of the company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of preferred shares shall be entitled to one vote in respect of each preferred share held."

GRANDUC MINES, LIMITED

(Non-Personal Liability)

DIRECTORS' REPORT

To the Shareholders:

The Directors hereby submit their report together with the audited financial statements for the year ended December 31, 1968.

The principal Company property, the Granduc Mine, is leased to Granduc Operating Company, a wholly-owned subsidiary of Newmont Mining Corporation, and to American Smelting and Refining Company. They share the lease equally and have agreed to provide all the necessary funds to bring the property into production. Granduc Mines, Limited (N.P.L.) will receive a royalty of 22-1/2% of operating profits (before deducting preproduction costs incurred by the Lessees) on the first 32,500,000 tons of ore milled and 25% of such operating profits thereafter. The Lessees are proceeding to place the property into production which it is presently estimated will be in late 1969. The following is a progress report for 1968:

GRANDUC MINE

Tide Lake Tunnel:

The main tunnel was advanced 19,447 feet during the year to 53,743 feet from the portal at Tide Lake, at which point it broke through into the tunnel being driven from the mine at Leduc. The average tunnel advance per work day was 62.5 feet. Most of the advance was in competent volcanic rocks with small amounts of altered sediments. A very wet area, requiring grouting, was encountered at 50,000 feet and a fault zone, requiring steel support, was intersected at 51,850 feet.

Several world records were made by the crew in driving the tunnel. These were:

Daily advance of 115 feet	
Weekly advance (6 days)	601 feet
Monthly advance	2314 feet

Excavations were also completed near the portal for the tail track, coarse ore dump bin and conveyerway from the ore bin to the surface crushing plant. This work required 1952 feet of advance and 79,286 cu.ft. of slashing. Mining personnel in Tide Camp during the year averaged 200 men.

Leduc Camp:

This camp operated from late February to mid-December. On the 2475 mine level, excavations were well advanced for the crusher room and ore bin above the crusher room. On the 2600 level, excavation was completed for the compressor room, powder magazine, cap storage, warehouse, mobile equipment repair shops, main electrical sub-station, fuel storage bay and rectifier station. The haulage way to the main waste pass raise was completed and the tail track and supply storage area were driven.

On the 3100 level, the main air intake tunnel was connected through to surface and a fan by-pass tunnel was driven. An up ramp tunnel was driven to elevation 3540 and the hanging wall drift on the 3100 level was enlarged to 14' x 11' to permit the use of mobile equipment and provide access to raise locations for ore passes and ventilation raises. An ore pass and one vent raise were driven 600 feet to the top of the orebody, and a start was made on a second pair of raises.

Total development for the year in terms of advance was 16,041 feet and in terms of excavation, 514,486 cu.ft. 10,118 feet of diamond drilling was also done during the year, of which 2392 feet was from the surface and 7726 feet underground.

The crew at Leduc during the year averaged 151 men. Freight taken to Leduc during the year was 3947.3 tons over the ice and 2339.6 tons by air lift.

Plant Construction:

The main powerhouse was completed during the year and all equipment installed in it. The two turbine generators were started up before year end, each generator being 15,000 KW 13.8 KV 3600 rpm 3 phase 60 cycle equipment. The cooling tower was completed and the main water and fuel tanks were erected. Wells were drilled and gathering lines installed. A pumphouse was erected and main water lines and fire lines were completed to the powerhouse.

Concrete work for the concentrator, steel erection, block walls and cladding was done and work was started on interior installation. The miners' locker room and basket room were completed and are in use. Installation of flotation cells, rod mills, pebble mills and vacuum pumps was started. Overhead cranes were installed in the railroad and grinding bays. The concentrate dryer was installed. The snowshed and railroad bridge connecting the tunnel and the concentrator were 70% completed by year end.

Stewart Concentrate Loading & Storage Facilities:

Land was acquired and a contract let during the year for the construction of a shiploader substructure, approach conveyor, pipe trestles, catwalks, dolphins and for dredging the berthing area in front of the dolphins. By year end, most of this work was completed.

General:

Snowfall for the last three months of the year was heavy but road closures were of only a few hours duration. In November, Summit Lake again discharged under the Salmon Glacier with resultant damage to the Alaska section of the road. Interruption to haulage was, however, minor.

The present labour contract terminated on January 31, 1969 and negotiations with the Unions resulted in disagreement. A strike notice was issued by the Unions on February 3, 1969. This resulted in a slow-down of work which made it impossible for the Operators to carry on operations. The Operators on February 26th then notified the Unions of a lockout and the operation was closed down on March 4th. At present the essential services are being maintained but the operation remains closed.

There was a reduction from 430 to 284 mining claims and leases during the year. Of the reduction, 64 were no longer needed when the main tunnel route was completed and 78 are now covered by mineral reserve.

OTHER COMPANY ACTIVITIES

The Company's separate exploration and development program on its properties not under lease was continued during the May - October, 1968 period. During this period, detailed geological surveying and prospecting were completed on the Company's Sulphurets and Mitchell Creek property, which lies 20 miles north of the Granduc mine. Mineral showings on the Sulphurets-Mitchell Creek property were prospected by 6 diamond drill holes aggregating 3,819 feet. Sections of core from three of the six holes that were drilled contained low grade disseminated copper mineralization averaging approximately 0.5% copper. A helicopter borne electromagnetic and magnetometer survey was completed over the Company's Max property, which lies 16 miles northwest of the Granduc mine. The airborne survey indicated a number of anomalous zones which will require ground checking before their importance, if any, can be determined. Several properties and areas of interest in the general area encompassing Stewart and the Upper Unuk River were investigated. The combination warehouse and office building in Stewart, purchased in early 1968, served as a base of operations for the above work.

The Company plans to continue its separate exploration and development program during the 1969 season. The program will likely include detailed geological and geochemical surveys and surface sampling on the Company's Sulphurets-Mitchell Creek property. Anomalous zones that were indicated by the 1968 airborne survey on the Max property will be investigated by detailed ground surveys. Further detailed geological and geophysical surveys are also planned for the Max property. Other investigations to be undertaken during 1969 in the general Stewart-Upper Unuk River area are presently receiving consideration.

On behalf of the Directors,

Vancouver, B.C.
March 21, 1969.

L. J. RANDALL,
President.

GRANDUC MINES, LIMITED

(Non-Personal Liability)

Balance Sheet — December 31, 1968

(With comparative figures for 1967)

ASSETS

	1968	1967
Current assets:		
Cash	\$ 66,188	\$ 16,752
Short-term investments at cost and accrued interest	306,973	485,401
Total current assets	373,161	502,153
Mining properties at cost, including \$1,000,000 for common shares issued in consideration for claims (Note 1)	1,065,000	1,065,000
Mine development and pre-production expenditure, per accompanying statement	23,740,502	23,592,594
	<u>\$25,178,663</u>	<u>\$25,159,747</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable	\$ 20,565	\$ 1,649
Advances from mining companies (Note 2)	5,427,589	5,427,589
Shareholders' equity:		
Share capital:		
5-1/2% cumulative redeemable preferred shares of \$5 par value per share. Authorized and issued 1,050,000 shares (Note 3)	5,250,000	5,250,000
Common shares of \$1 par value per share. Authorized 8,000,000 shares; issued:		
Number of shares		
Par value		
For cash	2,363,022	\$ 2,363,022
For mineral claims	1,000,000	1,000,000
	<u>3,363,022</u>	<u>\$ 3,363,022</u>
	8,613,022	8,613,022
Contributed surplus	11,117,487	11,117,487
Total shareholders' equity	19,730,509	19,730,509
	<u>\$25,178,663</u>	<u>\$25,159,747</u>

Approved on behalf of the Board:

See accompanying notes to financial statements.

L. J. RANDALL, Director

W. H. LOVE, Director

Notes to Financial Statements — December 31, 1968

- Mining properties:
Under the terms of a lease entered into on October 1, 1965, the lessees will develop and equip the Granduc mine property of the company and from the date mining operations commence will pay a royalty based on the net proceeds from the mine, as defined.
- Advances from mining companies:
Interest on the advances of \$5,427,589 has been waived until mining operations commence.
- Share capital:
The holder of the 1,050,000 5-1/2% cumulative redeemable preferred shares has waived dividends, and the cumulative rights thereto, until mining operations commence.
- Remuneration of the directors and officers amounted to \$6,327 in 1968.

GRANDUC MINES, LIMITED

(Non-Personal Liability)

Statement of Mine Development and Pre-Production Expenditure

Year ended December 31, 1968

(With comparative figures for 1967)

	1968	1967
Balance at beginning of year	\$ 23,592,594	\$ 23,548,710
Expenditure incurred during the year:		
Exploration:		
Buildings and real property	14,000	—
Village of Stewart expenses	500	—
Professional and technical services	36,109	11,241
Transportation and travel	6,784	5,025
Shipping and freightage	21,140	149
Camp operations	3,527	1,060
Drilling	39,960	—
Sampling and analysis	2,758	876
Equipment	4,176	1,388
	<u>128,954</u>	<u>19,739</u>
Administration:		
Management salaries	5,127	8,045
Office salaries	2,803	2,185
Directors' remuneration	1,200	1,200
Directors' expenses	641	1,643
Communication	1,628	1,619
Office expenses	5,529	4,506
General expenses	10,835	8,885
Legal and audit	16,095	7,215
	<u>43,858</u>	<u>35,298</u>
	172,812	55,037
Less:		
Interest income	23,667	10,293
Other income	1,237	860
	<u>24,904</u>	<u>11,153</u>
Net expenditure for the year	<u>147,908</u>	<u>43,884</u>
Balance at end of year	<u>\$ 23,740,502</u>	<u>\$ 23,592,594</u>
See accompanying notes to financial statements.		

GRANDUC MINES, LIMITED

(Non-Personal Liability)

Statement of Source and Application of Funds

Year ended December 31, 1968

(With comparative figures for 1967)

	1968	1967
Funds provided:		
Issue of common shares	\$ —	\$515,900
Funds used:		
Mine development and pre-production expenditure	<u>147,908</u>	<u>43,884</u>
Increase (decrease) in working capital	(147,908)	472,016
Working capital at beginning of year	<u>500,504</u>	<u>28,488</u>
Working capital at end of year	\$ <u>352,596</u>	\$ <u>500,504</u>
Working capital:		
Current assets	\$ 373,161	\$502,153
Current liabilities	<u>20,565</u>	<u>1,649</u>
Working capital at end of year	<u>\$ 352,596</u>	<u>\$500,504</u>

See accompanying notes to financial statements.

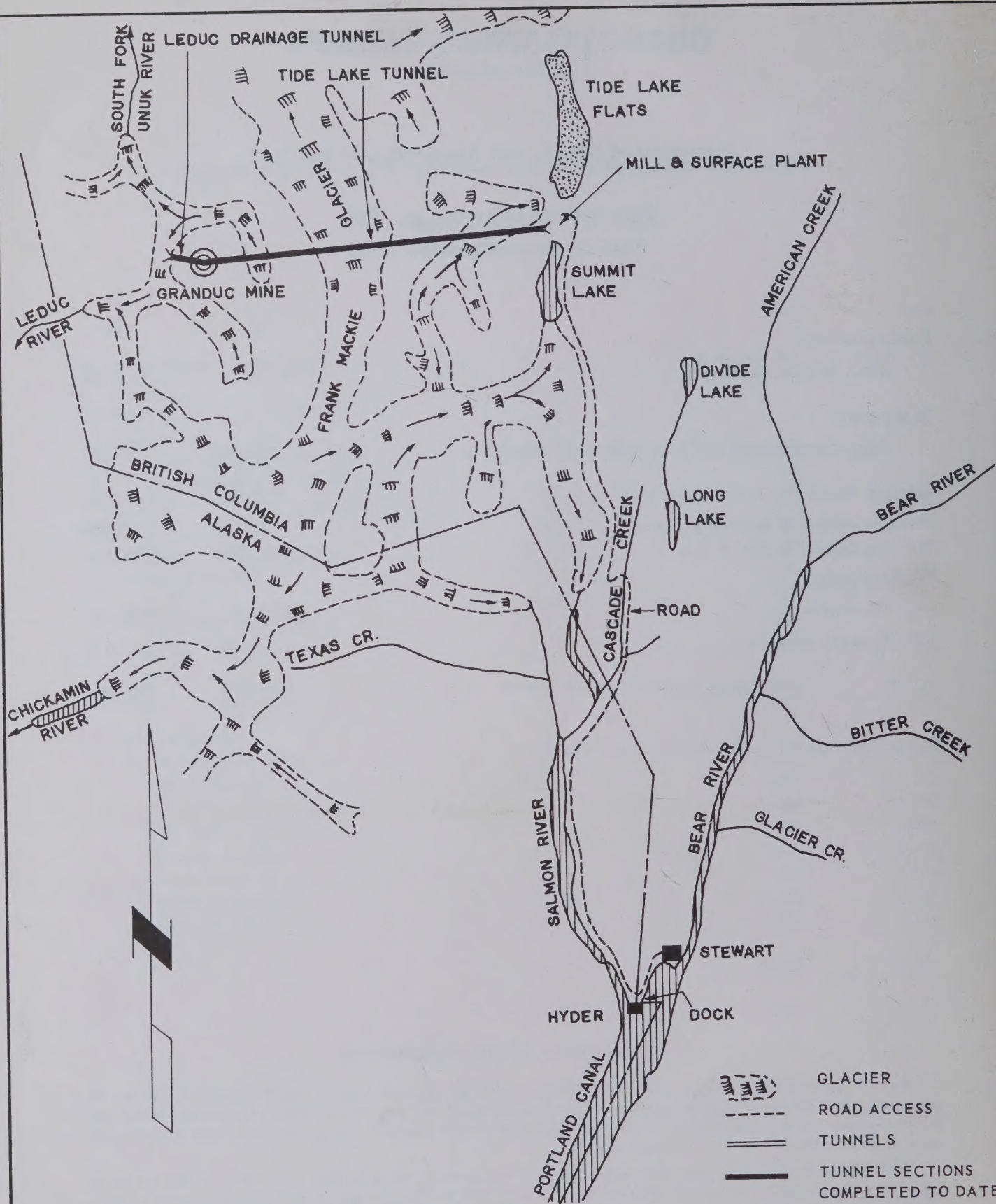
AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Granduc Mines, Limited (Non-Personal Liability) as of December 31, 1968 and the statements of mine development and pre-production expenditure and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia.
February 28, 1969.

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants.



GRANDUC MINES LTD. (N.P.L.)

LOCATION MAP